

Who We Are

We are the second oldest gambling regulatory agency in the nation.

We are a law enforcement agency established by the State Legislature in 1973 after a series of gambling related scandals.

- Five citizens are appointed by the Governor, with the consent of the Senate, to act as part-time Commissioners, for a single six-year term.
- Once appointed, a Commissioner can only be removed for cause by a subcommittee appointed by the Chief of the Supreme Court.
- This structure ensures the Commission maintains an arm's length distance from the political structure.
- Four members of the Legislature act as ex officio members and only vote to approve or amend Tribal-State Class III Gaming Compacts. They also serve an important liaison role between the Commission and legislature.
- The Commission appoints a director, who appoints staff. Of the 146 full-time equivalent (FTE) staffing authorized in the Gambling Revolving Fund for FY14, 83 are commissioned law enforcement officers.

What We Do

- We are responsible for licensing and regulating all authorized social gambling activities in the state, except for horse racing and the State Lottery.
- We investigate and control unauthorized and illegal gambling activities.
- We co-regulate Tribal gaming activities pursuant to agreements between the Tribes and State.

We accomplish these responsibilities through statewide regulation and enforcement programs in cooperation with other law enforcement agencies and Tribal authorities.

Agency Funding

- Non-general fund and non-appropriated agency.
- No taxes are used to fund the agency.
- Funded through licensing and regulatory fees paid by licensees and Tribal governments.

The Commission's approved budget for the 13-15 biennium is \$29.6 million, which is \$1 million less and 13.5 fewer FTEs than our 11-13 biennium budget.

Background Investigations



To ensure crime does not gain a foothold in Washington State, our background investigations are among the most thorough in the nation.

We conduct criminal background investigations on nearly everyone involved in a gambling business.

In fiscal year 2013, we conducted background investigations on about 23,300 licensees and new applicants. Of the 3,353 new applicants, 4.7% did not meet requirements and were not issued a license or Tribal certification.

- We licensed 3,400 commercial and charitable/nonprofit organizations.
- We licensed/certified 15,600 individuals (dealers and representatives).

Audits and On-site Investigations

We conduct in-depth audits and on-site "spot" checks, and work undercover to ensure games are legal and honest.

In fiscal year 2013, we investigated about 500 complaints from the public and initiated 510 additional investigations. As a result:

- 846 gambling rule/law violations were found.
- 229 criminal violations were found.
- 72 criminal cases were sent to prosecutors. An additional 32 cases were worked with other law enforcement agencies where they were the referring agency to the prosecutor's office.

For commercial businesses, we source funds to ensure money is from a legitimate source, without ties to criminal activities.

For charitable/nonprofit organizations, we ensure gambling proceeds are used to benefit their charitable purposes.

Criminal Activities We Investigate

- |                |                    |                     |
|----------------|--------------------|---------------------|
| • Theft        | • Fraud            | • Internet gambling |
| • Cheating     | • Bookmaking       | • Animal fights     |
| • Embezzlement | • Money laundering | • Loansharking      |

House-Banked Card Games

Before 1997, card rooms could only offer games where customers played among themselves, such as poker. The "house" was not directly involved in the game. A card room profited from card games by collecting a chair fee from players, based on time.

In 1997, house-banked card games, such as blackjack, were authorized by the State Legislature for commercial card rooms.

- At the height of the industry in 2005 and 2006, there were 96 licensed card rooms. In December 2013, there were 53.
- Card rooms can operate up to 15 tables. About 30 card rooms are licensed for 15 tables, while the overall average is 13 tables per card room.
- Wagers are capped at \$300.
- Card rooms employ over 6,100 licensed individuals (such as dealers).
- Since 1997, we have received about 285 applications for house-banked card rooms and issued 174 licenses.

Internet Gambling

The Washington State Constitution (Article II Section 24) prohibits all gambling activities unless the activity is specifically authorized in State law. Internet gambling has never been authorized in Washington State.

It is illegal to:

- Operate an Internet gambling site.
- Gamble on the Internet.
- Install or maintain equipment to send or receive gambling information.
- Facilitate Internet gambling in any way.

In 2006, the State Legislature increased the penalty for Internet gambling from a gross misdemeanor to a class C felony.

Enforcement is focused on gambling websites and payment service providers. However, Internet gamblers also run the risk of a felony conviction.

Internet Gambling is Risky Business:

- Players have no idea who is operating the gambling site, or if: Games are run dishonestly. Winnings will be paid or not. Money lost will be used for criminal activities.
- Players have no recourse if they are not paid or cheated.
- Players risk credit card fraud and identity theft by disclosing personal information.
- Creates an uncontrolled environment for problem gamblers and minors.

Internet Gambling Task Force:

We are part of a multi-state and federal task force working on education, awareness and coordinating enforcement activities to deter illegal Internet gambling.

Intranet Gambling Authorized by States:

Three states have authorized Intranet gambling, restricted to residents within each state's borders: Nevada in 2011; Delaware in 2012; and New Jersey in 2013.

Dept. of Justice Memo:

In 2011, the U.S. Dept. of Justice changed its long standing interpretation of the Wire Act and stated in a memo that the Act only applies to "sporting events and contests" and not lottery tickets. Whether the memo will impact Internet gambling nationally remains to be seen; however, it does not impact Washington State because Internet gambling is specifically prohibited in State law.

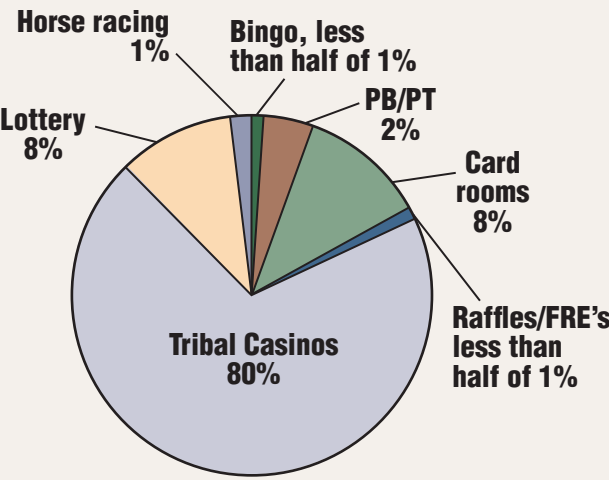
Supreme Court Ruling:

Rouso vs. State of Washington

In 2010, Rouso challenged the constitutionality of the State's Internet gambling law based on the dormant commerce clause. In a unanimous 9-0 decision, the Supreme Court found the law does not violate the clause.



Washington State Gambling Net Receipts Fiscal Year 2013



Net Receipts = Gross receipts minus prizes paid

Bingo	8.2	Million
Punch boards/Pull-tabs (PB/PT)	65.5	
Card rooms	212.8	
Raffles/Fund-raising events (FRE's)	4.9	
Tribal casinos (estimated)	2,225.3	
Lottery	230.2	
Horse racing (includes \$7.3M paid to outside Advance Deposit Wagering firms)	28.0	
Total	\$ 2.775	Billion

Gambling Tax

Washington State does not collect a gambling tax. However, cities, counties or towns can tax gambling.

In fiscal year 2013, licensees reported paying about \$29 million in local gambling taxes:

- Card games: \$21.3 million
- Punch boards/Pull-tabs: \$7.2 million
- Bingo: \$267,592

Business & Occupation Tax

- Gambling licensees pay a 1.5% B&O tax.
- In 2005, gambling licensees with gross income of \$50,000 or greater from contests of chance began paying an additional 0.13% B&O tax to help fund problem gambling programs.
- In fiscal year 2013, card room, punch board/pull-tab, bingo and raffle licensees paid about \$5.5 million in B&O taxes.



Kelsey Gray  
Commissioner

Appointed January 2012 - Term expires June 2017

Commissioner Gray works for the William D. Ruckelshaus Center and is a Certified Financial Manager. She has worked with profit and nonprofit organizations, Tribes, law enforcement organizations, and local, state, and federal governments.



Chris Stearns  
Commissioner

Appointed May 2013 - Term expires June 2015

Commissioner Stearns is an attorney specializing in Indian law. He previously served four years as Counsel to the U.S. House Committee on Natural Resources and was the first-ever Director of Indian Affairs for the U.S. Department of Energy. He is also the past Chairman of the Seattle Human Rights Commission.



Geoff Simpson  
Commissioner

Appointed August 2013 - Term expires June 2019

Commissioner Simpson is a fire fighter in Kent and a lobbyist for the Washington State Council of Fire Fighters. He was the Covington Mayor Pro Tem and a Representative in the Legislature. He was on the Gambling Commission as an Ex Officio Member from 2007 until 2010.

Ex Officio Members



Senator  
Steve Conway  
29th District



Senator  
Mike Hewitt  
16th District



Representative  
Christopher Hurst  
31st District



Representative  
Bruce Chandler  
15th District





## Tribal Gaming

In 1988, Congress passed the Indian Gaming Regulatory Act (IGRA). This federal law confirmed the rights of Tribes to conduct gaming on Tribal lands through agreements with the state (Tribal-State Class III Gaming Compacts) and established a framework for regulating Indian gaming.

- IGRA requires the State to negotiate in good faith with Tribes to provide the opportunity to offer casino style (Class III) gaming that is allowed, in some form, in the state.
- Under State law, the Director is delegated the responsibility to negotiate Tribal-State Class III Gaming Compacts.
- We jointly regulate Tribal Class III gaming activities by working together with the Tribes to provide on-site enforcement and regulation.
- We certify Tribal gaming employees, who are also licensed by the Tribes. Since 1992, we have certified nearly 31,000 employees; about 9,600 are currently certified/licensed.
- There are 29 federally recognized Tribes in Washington. 28 have negotiated a compact. The Cowlitz Tribe in Southwest Washington does not have a compact.

### There are 28 Tribal casinos in the State.

- 17 Tribes operate one casino each
- 4 Tribes operate two casinos each
- 1 Tribe operates three casinos

## Tribal Contributions

In 2011, Tribes contributed approximately \$15 million to governmental agencies, fire and emergency services, law enforcement, and charities.

In 2012, Tribes contributed:

- Over \$2 million to smoking cessation programs (.13% of tribal machine gaming)
- Over \$2.5 million to problem gambling programs (.13% of all Class III gaming)

## Tribal Machine Gaming

In 1994, in an effort to resolve a long-standing disagreement between Washington State and Tribes on whether machine gaming was legal in the State, several Tribes, then-Governor Lowry and then-Attorney General Gregoire asked a federal court to determine what types of gaming devices, if any, were permitted under Washington State law.

In 1997, the court ruled slot machines were not legal, but other devices may be permitted.

After a year of negotiations, a compact amendment was approved for machine gaming that was modeled after the Washington State Lottery's scratch ticket games.

The Tribal Lottery Machines may look like a slot machine; however, unlike a slot machine with a random number generator, Tribal Lottery Machines are linked to a central computer where tickets are pulled from a pool of predetermined winning/losing tickets.

In 1999, Tribes began operating Tribal Lottery Machines.

- Each Tribe is allotted 975 machines.
- Tribes may lease or purchase the rights to additional machines from other Tribes and can typically operate up to 2,500 or 4,000 machines, depending on the compact.
- The maximum number of machines allowed in Washington State is 27,300.
- Currently, Tribes operate over 26,200 machines.
- Our Electronic Gambling Lab tests Tribal Lottery Systems for compliance and integrity.



# Washington State GAMBLING COMMISSION

## Mike Amos Commission Chair

Appointed September 2008  
Term expires June 2014



Commissioner Amos retired from the Yakima Police Department as patrol sergeant after 37 years of duty. He is involved with the Washington State Lodge of the Fraternal Order of Police.

## Margarita Prentice Commission Vice Chair

Appointed August 2012  
Term expires June 2018



In 2012, Commissioner Prentice retired after 24 years in the Washington State Legislature and 18 years as an Ex Officio member on the Gambling Commission. She is also a retired registered nurse, having worked for 30 years in a wide variety of positions.



## David Trujillo, Director

(360) 486-3512 / David.Trujillo@wsgc.wa.gov

David Trujillo was appointed Director by the Commissioners in June 2013. Prior to this appointment, he was the agency's Deputy Director. David has been with the agency since 1992 and has served in various positions throughout the agency. David is a recipient of the WA State Leadership Award given to him by then Secretary of State Sam Reed. David has two undergraduate degrees (Central Washington University and Western Washington University), certifications from the WA Criminal Justice Training Commission, and is licensed as a Certified Public Accountant by the WA State Board of Accountancy.



## Amy B. Hunter

Legislative Liaison and Administrator for the Communications and Legal Division

(360) 486-3463 / Amy.Hunter@wsgc.wa.gov

Amy has been with the agency since 1994. She oversees the agency's legal department and communication functions and has worked on legislative issues since 1998. Amy graduated from Kansas State University with a degree in Sociology/Criminal Justice and has a law degree from the University of Puget Sound School of Law.

## Other staff that can assist you with legislative questions:

**Mark Harris**, Assistant Director, Field Operations Division  
(360) 486-3579 / Mark.Harris@wsgc.wa.gov

**Arlene Dennistoun**, Staff Attorney, Communications and Legal Division  
(360) 486-3469 / Arlene.Dennistoun@wsgc.wa.gov

**Tina Griffin**, Assistant Director, Licensing Operations Division  
(360) 486-3546 / Tina.Griffin@wsgc.wa.gov

## Washington State Gambling Commission

P.O. Box 42400 / Olympia, WA 98504-2400

(360) 486-3440 / (800) 345-2529 / www.wsgc.wa.gov / WAGambling

January 2014



**MISSION:** Protect the public  
by ensuring that gambling  
is legal and honest

